

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Meceola Consolidated Central Dispatch Author	County Mecosta/Osceola
Audit Date 12/31/05	Opinion Date 6/6/06	Date Accountant Report Submitted to State: 6/29/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

Anderson, Tackman & Company, PLC

Street Address

16978 S. Riley Avenue

City

Kincheloe

State

MI

ZIP

49788

Accountant Signature

Anderson Tackman & Co PLC

Date

6/29/06

**MECEOLA CONSOLIDATED CENTRAL
DISPATCH AUTHORITY**

BASIC FINANCIAL STATEMENTS

December 31, 2005

MECEOLA CONSOLIDATED CENTRAL
DISPATCH AUTHORITY

APPOINTED OFFICIALS

CHAIRMAN

TERRY HARRIS

VICE CHAIRMAN

GEORGE FREEMAN

TREASURER/SECRETARY

GLORIA EISENGA

MEMBER

PEG BRENNAN

MEMBER

JAMES CRAWFORD

MEMBER

EDWARD SEATH

MEMBER

JOHN SONNTAG

MEMBER

RAYMOND STIENKE

MEMBER

HENRY WAYER

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
Statement of Net Assets	6
Statement of Revenues, Expenses, and Changes in Net Assets	7
Statement of Cash Flows	8
Notes to Financial Statements	9



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mecosta Osceola Consolidated
Central Dispatch Authority
20701 Northland Drive
Paris, MI 49338

We have audited the accompanying financial statements of the business-type activities and major fund of the Mecosta Osceola Consolidated Central Dispatch Authority as of and for the year ended December 31, 2005, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and major fund of the Mecosta Osceola Consolidated Central Dispatch Authority as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion Analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in blue ink that reads "Anderson Tackman & Co. PLC". The signature is written in a cursive, flowing style.

Anderson, Tackman & Company, PLC
Certified Public Accountants

June 6, 2006

Management's Discussion and Analysis

Meceola Consolidated Central Dispatch Authority

Management's Discussion and Analysis
December 31, 2005

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances.

The Authority as a Whole

The Authority's combined net assets increased 11% from a year ago from \$1,703,437 to \$1,894,660.

Net assets as of the year ended December 31, 2005 and 2004 is as follows:

	Business-Type Activities 2004	Business-Type Activities 2005
Current Assets	\$ 842,770	\$ 606,961
Noncurrent Assets	<u>1,078,743</u>	<u>1,381,400</u>
Total Assets	<u>1,921,513</u>	<u>1,988,361</u>
Current Liabilities	193,066	93,701
Long-Term Liabilities	<u>25,010</u>	<u>-</u>
Total Liabilities	<u>218,076</u>	<u>93,701</u>
Net Assets		
Invested in Capital Assets - Net of Debt	948,981	1,356,329
Unrestricted (Deficit)	<u>754,456</u>	<u>538,331</u>
Total Net Assets	<u>\$ 1,703,437</u>	<u>\$ 1,894,660</u>

Meceola Consolidated Central Dispatch Authority

Management's Discussion and Analysis December 31, 2005

The current level of unrestricted net assets for our business-type activities stands at \$538,331, or about 43% of expenses. This is within the targeted range set by the Authority's Board of Directors during its last budget process.

A summary of changes in net assets for the year ended December 31, 2005 and 2004 is as follows:

	Business-Type Activities <u>2004</u>	Business-Type Activities <u>2005</u>
Revenues		
Charges for Services	\$ 1,306,792	\$ 1,310,156
Other Revenues	<u>9,693</u>	<u>142,994</u>
Total Revenues	<u>1,316,485</u>	<u>1,453,150</u>
Expenses		
Operations	951,648	999,947
Depreciation Expense	<u>166,904</u>	<u>261,980</u>
Total Expenses	<u>1,118,552</u>	<u>1,261,927</u>
Change in Net Assets	197,933	191,223
Net Assets, January 1	<u>1,505,504</u>	<u>1,703,437</u>
Net Assets, December 31	<u>\$ 1,703,437</u>	<u>\$ 1,894,660</u>

Meceola Consolidated Central Dispatch Authority

Management's Discussion and Analysis
December 31, 2005

Business-Type Activities

The Authority's total business-type revenues increased by approximately \$136,665, this was primarily due to the reimbursements from purchases of fixed assets.

Expenses increased by about \$143,375 during the year. This was primarily the result of an increase in health liability insurance, retirement costs, and the L.I.E.N. lease.

Capital Asset and Debt Administration

At the end of 2005, the Authority had \$1,381,400 invested in a broad range of capital assets, including land, buildings, and equipment.

The Authority had \$25,071 in long term debt obligations at year end.

Economic Factors and Next Year's Budgets and Rates

A direct reflection of a soft economy, the Authority's 2005 budget will be tight essentially a "hold the line" document when compared to the 2004 program.

Insurance costs continue to increase.

Contacting the Authority's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Authority at 20701 Northland Drive, Paris, MI 49338.

Basic Financial Statements

Meceola Consolidated Central Dispatch Authority

Statement of Net Assets December 31, 2005

ASSETS

Current Assets

Cash and Equivalents	\$ 364,175
Accounts Receivable	182,246
Prepaid Expenses	18,487
Other Assets	<u>42,053</u>
Total Current Assets	<u>606,961</u>

Non Current Assets

Capital Assets, (Net of Accumulated Depreciation)	<u>1,381,400</u>
TOTAL ASSETS	<u>\$ 1,988,361</u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 20,784
Current Portion of Note Payable	25,071
Accrued Payroll and Related Liabilities	20,653
Compensated Absences	<u>27,193</u>
TOTAL CURRENT LIABILITIES	<u>93,701</u>

Net Assets

Investment in Capital Assets (Net of Related Debt)	1,356,329
Unrestricted	<u>538,331</u>
TOTAL NET ASSETS	<u>1,894,660</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,988,361</u>

Meceola Consolidated Central Dispatch Authority

Statement of Revenues, Expenses, and Changes in Net Assets Year Ended December 31, 2005

OPERATING REVENUE:

Surcharge Fees	\$ 1,310,156
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TOTAL OPERATING REVENUES	<u>1,310,156</u>
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OPERATING EXPENSES:

Salaries and Wages	573,278
Payroll Taxes	43,264
Retirement	52,128
Employee Benefits	138,155
Supplies	8,593
Repair and Maintenance	9,937
Dues and Subscriptions	223
Travel	3,306
Training	10,461
Postage	709
Telephone	16,894
Utilities	6,926
Leases	21,690
Professional Fees	13,540
Service Contracts	43,533
Software License Contracts	18,304
Insurance	25,873
Depreciation	261,980
Miscellaneous	<u>392</u>

TOTAL OPERATING EXPENSES	<u>1,249,186</u>
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TOTAL OPERATING INCOME (LOSS)	<u>60,970</u>
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NON-OPERATING INCOME (EXPENSE):

Gain (Loss) on Sale of Assets	(7,525)
Interest Income	10,652
Interest expense	(4,563)
Reimbursements	132,342
Other Expense	<u>(653)</u>

Net Non-Operating Income (Expense)	<u>130,253</u>
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Change in Net Assets	191,223
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NET ASSETS, JANUARY 1	<u>1,703,437</u>
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NET ASSETS, DECEMBER 31	<u>\$ 1,894,660</u>
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Meceola Consolidated Central Dispatch Authority

Statement of Cash Flows Year Ended December 31, 2005

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from Customers	\$ 1,269,942
Payments to Suppliers	(190,677)
Payments to Employees	(812,293)
Net Cash Provided (Used) by Operating Activities	<u>266,972</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Purchase of capital assets	(572,162)
Other Capital Activities	131,689
Interest Payments	(4,563)
Principal Payments	(104,691)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(549,727)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest income	<u>10,652</u>
Net Cash Provided (Used) by Investing Activities	<u>10,652</u>
Net Increase (Decrease) in Cash and Equivalents	(272,103)
Balances - Beginning of the Year	<u>636,278</u>
Balances - End of the Year	<u><u>\$ 364,175</u></u>

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:

Operating Income	\$ 60,970
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	261,980
Change in Assets and Liabilities:	
(Increase) Decrease in Assets:	
Accounts Receivable (Net)	(48,634)
Due from Governmental Units	8,420
Prepaid Expenses	(3,072)
Other Assets	6,992
Increase (Decrease) in Liabilities:	
Accounts Payable	(14,216)
Accrued Payroll and Related Liabilities	(5,468)
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 266,972</u></u>

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Meceola Consolidated Central Dispatch Authority conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The Authority is classified as a business-type activity in accordance with GASB Statement #34. The following is a summary of the significant accounting policies used by the Authority:

A – Reporting Entity

Financial Reporting Entity

The financial statements of the Authority include the following operations: Wireless, hard-wired and the internal cost communication center. The operations listed above are included because the Authority has direct oversight responsibility over each operation.

The Authority was organized in 1993, by Mecosta and Osceola Counties, Michigan, for the purpose of acquiring, owning and operating an enhanced emergency response system within the boundaries of the participating counties. The Authority is funded by a 16% surcharge on phone lines within the Counties.

The Authority is controlled by a nine member Commission. The Commission is comprised of a representative from the Michigan State Police, three members from Mecosta and Osceola Counties each, one member from the Michigan Sheriff's Association, and one member from the county whose sheriff is not appointed by the Michigan Sheriff's Association. The Authority elects from its members, a Chairperson, Vice-Chairperson, Treasurer and Secretary.

B – Basic Financial Statements

The basic financial statements (i.e., the statement of net assets and the statement of revenues, expenses and changes in net assets) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

C – Measurement Focus, Basis of Accounting and Financial Statement Presentation

The basic financial statements are reported using the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

All other revenue items are considered to be available only when cash is received by the government.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in the financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

Business-type activity funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to surcharges on phone lines within both counties. Operating expenses for proprietary funds include the cost of sales and services, and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

D - Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Deposits are recorded at cost.

Inventories and Prepaid Items – All inventories, including the cost of supplies, are expensed when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in government-wide financial statements.

Capital Assets – Capital assets, which include property, plant, and equipment, are reported on the statement of net assets. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation – Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Building Improvements	15-39 years
Equipment and Vehicles	5-20 years

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH AND EQUIVALENTS:

Statutory Authority:

Michigan law (Act 196 PA 1997) authorizes the Authority to deposit and invest in one or more of the following:

- a. Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Bankers acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

Meceola Consolidated Central Dispatch Authority

Notes to Financial Statements
December 31, 2005

NOTE 2 - CASH AND EQUIVALENTS: (Continued)

The Authority's deposits are in accordance with statutory authority. The Authority's deposits are located in local financial institutions. All deposits are carried at cost.

<u>Balance Sheet Account</u>		<u>Cash Items</u>	
Cash and Equivalents	\$ 364,175	Checking	\$ 364,175

Investment and Deposit Risk

Interest rate risk. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Authority has no investment policy that would further limit its investment choices.

Custodial deposit credit risk. Custodial deposit credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. State law does not require and the Authority does not have a policy for deposit custodial credit risk. As of year end, \$164,175 of the Authority's bank balance of \$364,175 was exposed to credit risk because it was uninsured and uncollateralized. \$200,000 was insured by the pledging financial institution.

NOTE 3 - CAPITAL ASSETS:

Capital Asset activity for the Authority for the current year was as follows:

	<u>Balance 01/01/05</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/05</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 10,529	\$ -	\$ -	\$ 10,529
Subtotal	<u>10,529</u>	<u>-</u>	<u>-</u>	<u>10,529</u>
Capital assets being depreciated:				
Buildings	402,733	130,664	-	533,397
Equipment	<u>1,425,047</u>	<u>441,498</u>	<u>159,684</u>	<u>1,706,861</u>
Subtotal	<u>1,827,780</u>	<u>572,162</u>	<u>159,684</u>	<u>2,240,258</u>

Meceola Consolidated Central Dispatch Authority

Notes to Financial Statements
December 31, 2005

NOTE 3 - CAPITAL ASSETS: (Continued)

	Balance 01/01/05	Increases	Decreases	Balance 12/31/05
Less accumulated depreciation for:				
Buildings	157,512	16,047	-	173,559
Equipment	602,054	245,933	152,159	695,828
Subtotal	759,566	261,980	152,159	869,387
Net Capital Assets being Depreciated	1,068,214	310,182	7,525	1,370,871
Total Capital Assets – Net of Depreciation	<u>\$ 1,078,743</u>	<u>\$ 310,182</u>	<u>\$ 7,525</u>	<u>\$ 1,381,400</u>

NOTE 4 - ACCRUED COMPENSATED ABSENCES:

Recognition is made for the liability existing for unused benefits at December 31, 2005, as follows:

Vacation	\$ 15,588
Sick leave	9,871
Compensatory time	<u>1,734</u>
TOTAL ACCRUED COMPENSATED ABSENCES	<u>\$ 27,193</u>

Sick leave is lost if the employee is terminated and is stipulated by the union contract covering the employee group. An employee who accumulates more than 160 hours of sick leave as of December 31, each year will be paid for 50% of all sick days in excess of 160 hours at the rate of pay in effect on December 31, of the current year and shall have the number of accumulated hours reduced accordingly. As of December 31, of each year a computation will be made to determine the number of accumulated vacation days for each employee. Any employee who has accumulated more than 160 hours of vacation shall be paid for all hours in excess of 160 hours at the rate of pay in effect on December 31, of the current year and shall have the number of accumulated hours reduced accordingly. Compensatory time is time worked in excess of 40 hours and is paid at time and one-half.

NOTE 5 - RELATED ORGANIZATIONS:

Mecosta and Osceola Counties each passed resolutions establishing the Mecosta Osceola Consolidated Central Dispatch Authority with Mecosta County having a 60 percent interest and Osceola County having a 40 percent interest.

Meceola Consolidated Central Dispatch Authority

Notes to Financial Statements
December 31, 2005

NOTE 6 - MAJOR SOURCES OF FUNDS:

A significant amount of the revenue of the Mecosta Osceola Consolidated Central Dispatch Authority is derived from 911 telephone surcharges that must be periodically renewed by voters. The loss of telephone surcharge revenue from the Counties would have a significant affect on the Authority's ability to continue its operations.

NOTE 7 - NOTE PAYABLE:

The Authority executed one promissory note with a local financial institution. The term of the note includes monthly payments of \$9,016, 5% interest, secured by equipment, due in March 2006.

Balance, January 1, 2005	\$ 129,762
Deletions (payments)	<u>(104,691)</u>
Balance, December 31, 2005	<u>\$ 25,071</u>

Maturities of principal and interest over the remaining life of the note payable are summarized as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2006	<u>25,071</u>	<u>1,371</u>
Total	<u>\$ 25,071</u>	<u>\$ 1,371</u>

NOTE 8- RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government was unable to obtain general liability insurance at a cost it considered economically justifiable. The government joined together with other governments to form a public entity risk pool currently operating as a common risk management and insurance program for any and all transit commissions, agencies, districts, authorities, boards, and similar entities. The government pays an annual premium to the pool for its general insurance coverage. The agreement for formation provides that the pool will be self-sustaining through member premiums.

The government continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. It is not possible to estimate the amount of such additional assessments.

NOTE 9 - POST EMPLOYMENT BENEFITS:

The Authority provides health insurance coverage to the retired employees of the governmental unit. Currently, there are no retirees utilizing these benefits. The health insurance coverage is similar to the coverage provided to current employees. The Authority submits payment to the health insurance provider for the premiums on a monthly basis. These premiums are reimbursed to the Authority by the retired employees in the preceding month. During 2005, premiums of \$0 were submitted to the health insurance provider.

NOTE 10 - RETIREMENT PLAN:

Description of Plan and Plan Assets

The Authority is in an agent single-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions; normal retirement, deferred retirement, and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 1.7 percent times the final compensation (FAC). The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2004.

MERS was organized pursuant to Section 12A of Act #156, Public Acts of 1851 (MSA) 5.333(a); MCLA 46.12(a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issued a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Authority's competitive bargaining unit and personnel policy, which require employees to contribute to the plan. The Authority is required to contribute at an actuarially determined rate. The contribution rate as a percentage of payroll at July 1, 2005 is 10.21%

Meceola Consolidated Central Dispatch Authority

Notes to Financial Statements
December 31, 2005

NOTE 10 - RETIREMENT PLAN: (Continued)

Annual Pension Cost

During the fiscal year ended December 31, 2005, the Authority's contributions totaling \$52,128 were made in accordance with the contribution requirement determined by an actuarial valuation of the plan as of December 31, 2004. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required amortizing the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for this projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases. Employees of the Authority are not required to contribute to the plan.

Three year trend information as of December 31, follows:

	2002	2003	2004
Actuarial Value of Assets	\$ 505,213	\$ 603,038	\$ 689,969
Actuarial Accrued Liability	661,811	760,286	861,678
Unfunded AAL	156,598	157,248	171,709
Funded Ratio	76%	79%	80%
Covered Payroll	475,923	523,092	518,499
UAAL as a Percentage of Covered Payroll	33%	30%	33%

Three Year Trend Information			
Year Ended Dec 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2003	\$ 47,138	100%	\$ 0
2004	57,972	100%	0
2005	52,128	100%	0

Meceola Consolidated Central Dispatch Authority

Notes to Financial Statements
December 31, 2005

NOTE 11 - DUE FROM OTHER GOVERNMENTS:

In 2001, the Authority purchased new equipment that is used by various governments in the area. These governments must pay a fee for using the equipment. The arrangement executed in 2001 was payment (in full) in 60 months at 5% interest.

	<u>01/01/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/05</u>
Ferris State University	<u>\$ 8,420</u>	<u>\$ -</u>	<u>\$ 8,420</u>	<u>-</u>
	<u>\$ 8,420</u>	<u>\$ -</u>	<u>\$ 8,420</u>	<u>\$ -</u>



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

REPORT TO MANAGEMENT

Board of Directors
Meceola Consolidated Central Dispatch Authority
20701 Northland Drive
Paris, MI 49338

We have audited financial statements of the Meceola Consolidated Central Dispatch Authority for the year ended December 31, 2005, and have issued our reports thereon dated June 6, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Meceola Consolidated Central Dispatch Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Meceola Consolidated Central Dispatch Authority are described in Note 1. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Meceola Consolidated Central Dispatch Authority during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Meceola Consolidated Central Dispatch Authority's financial reporting process (that is, cause future financial statements to be materially misstated). Our audit adjustments, individually and in the aggregate, have a significant effect on the financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Meceola Consolidated Central Dispatch Authority or a determination of the type of auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us as to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Meceola Consolidated Central Dispatch Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Comments and Recommendations

Prepaid Insurance (prior year) – It was noted that prepaid insurance was misstated. Management should regularly reevaluate the amount recorded to reflect the actual amount that is prepaid.

Assets Disposals (prior year) – It was noted that the Authority acquires assets throughout the year; however the Board does not approve these activities. It is recommended that the Board approve all asset acquisitions and disposals.

Reimbursements of Capital Assets – In our review of capital assets, it was noted that insurance reimbursements were subtracted from the total cost of the capital assets. The capital assets should be recorded at the original cost. We recommend insurance reimbursements be recorded as a separate revenue line.

Conclusion

We would like to express our appreciation, as well as that of our staff for the excellent cooperation we received while performing the audit. If we can be of assistance, please contact us.

This report is intended solely for the information and use of the Members of the Board, management, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

June 6, 2006